

Brewster's

WAIS Inc

Wide Area Information Servers

Sept. 8, 1993

Members of the Board and advisors,

Thank you for coming. We are starting to get a planning process together, so your help and guidance is appreciated.

Since the last meeting, we turned a corner on cash flow that ends the summer drought (we are still broke, but in the next week we expect to get \$30k in receipts and \$20k of investment). Our first year was funded by a few contracts, and our second year is based on product sales and has a slow start. We are still living the "start-up life" of scrimping and saving, but it is working. Some of our people are showing some tiredness (our office manager left, for instance), but in general we are on a solid course and moral is high.

I thought I would propose an agenda of discussing a few topics based on documents in this package. There is no order implied:

- Cash flow status
- Market Overview
- FY 94 product plans
- Projected revenues
- Stock plan proposal
- Staffing plan

Comments and additions are welcome.

Sincerely yours,



Location: Brewster Kahle's house on Sept 8 2:00PM to 4:30PM.
1a Buena Vista East, SFCA 94117. 415-861-1621. On the corner of Haight and Baker.

People: John Duhring <duhring@wais.com>
Bill Dunn fax: 505-989-3922
Gary Hromadko <hromadko@radiomail.net>, fax: ?

Market Survey of Related Businesses

Company Confidential
Presented to the board Sept 8, 1993

This is a new document for us that is only a shell of what we think we need.
Comments welcome.

This is a document to help understand our position in the market. No matter how we categorize ourselves, we overlap many different market areas. Sometimes it is clear how we relate, and others not.

Our strategy has been to play down head-to-head competition. Emphasis our leadership and our vision as well as our flexible business terms. *open + cooperative*

Search Engines

Commercial: Fulcrum, PLS, Verity

How do we think we fit?: We want them using the WAIS protocol.

How do we compete?: We are cheaper and easier to work with. We are smaller, however.

Academic and Government: lqtext, SMART, UWaterloo, Tipster

How do we think we fit?: Since we come from the Internet and ARPA worlds, we hold up in this area.

How do we compete?: We want to be the infrastructure for that work to plug into. If it is good work, then we can help sell the systems.

Online Services

Databases: Dialog, Mead Data, DowJones, Vertical market systems

How do we think we fit?: We will be similar to the general houses as we launch our services. We want to work with these other companies if they will use the protocol. We offer them a good way to get to Internet users.

How do we compete?: We are cheaper and easier to use. We are based on an "open system".

BBoard systems: Compuserve, Prodigy, America Online, Delphi, Applelink.

How do we think we fit?: These systems are dialup based. We are not looking to be dialup based. On the other hand, we are starting to offer similar database services for Internet users. We want to work with these companies by offering gateways to Internet WAIS resources and our getting royalty.

How do we compete?: We don't.

LAN-based Information Systems

Verity

How do we think we fit?: We are similar to Verity in that we are an information system that works on LAN's, but Verity is designed for the specialized researcher-- we are designed for the end-user. We are more user friendly and general, they are better at understanding that market and user base. Verity has systems that already parse newsfeeds from many sources.

How do we compete?: We don't very well.

Lotus Notes

How do we think we fit?: Lotus Notes is a bboard/email system that is store-and-forward based. We would like to have a gateway from Notes users to WAIS resources on the Internet. We don't know how to do this yet.

How do we compete?: We don't.

CDROM Houses

SilverPlatter

Vertical market vendors

How do we think we fit?: LAN and WAN access are a different technology from CDROM. We would like to work with CDROM vendors to be their WAN based distribution system. Also, CDROM vendors will understand user interfaces better than we do since they are not constrained to generality of multiple database access and network speeds.

How do we compete?: We argue that CDROM is a transient technology giving way to network access which offers-- more information, more timely, and under more control.

Internet Systems

Gopher

World Wide Web

Prospero, etc.

How do we think we fit?: We are seen as a leader in this area. Others have gatewayed to WAIS resources.

How do we compete?: We don't. We would like to get the WAIS user interface to be used by more people, however, by gatewaying to those other systems. We have an advantage that we have a company to talk to, this makes us popular in the press and in the VC community.

New entrants:

TV/Cable companies

Phone companies

Industry specific systems

How do we think we fit?: We offer WAN, Internet, and search system expertise. We offer publishers to network providers.

How do we compete?: We don't.

Library vendors

Notis

MarCorp (Carlyle)

DLA

Innovative

How do we think we fit?: These vendors will be doing their own Z39.50 implementations. We do full-text well, but not the library side.

How do we compete?: Not very well. When an OPAC (Online Public Access Computer?) system is needed and not the check-in check-out system, then we are relevant.

WAIS Inc Product Plans for FY 1994 (July 93-June 94)

Company Confidential
Presented to the board Sept 8, 1993

WAIS Inc sells tools and services for network publishers. Network publishers are traditional publishers, libraries, government, and distributed corporations that want to make textual and image information available over networks.

Our strategy is to focus the market on the WAIS Protocol Suite and sell servers and services. In one way we are a Compuserve that sells its tools, where the protocol is the binding element to our system.

To achieve these goals we pursue contract work, sell products, and will start to run a network publishing operation ourselves.

Overall business plan:

- 1993 Contract work, build the product
- 1994 Sell the product, build information services, continue contracts
- 1995 Sell products, scale up info services, scale back contracts
- 1996 Info services dominant, still selling products, high profile contracts

WAIS Inc Contract Work Plans for Fiscal 1994 (July 93-Jun 94)

Contract work is pre-paid work for customers. This business has been the majority of our business and very profitable. We have one person full time on contract fulfillment (Kevin Oliveau) and contract sales takes a large percentage of Brewster's time.

Our strategy is to work with customers in contract mode to fund development of our products which we can then sell. We will continue this approach until another source of revenue give us the latitude. We have varied off of this approach at times.

During this calendar year we plan to work with government and publishers to set up publishing systems. Shifting to working with other integrators will happen in this time.

Company structure to support this activity is Brewster Kahle on sales, and Kevin Oliveau plus other engineers as needed. We would like to shift towards a different sales and management structure as we grow this line of business.

Our selling structure on this has been to write lots of proposals. Getting better at this for government and non-government customers is essential. We are missing opportunities in this area by our proposal writing volume. We are starting to move from \$25k-\$50k proposals to \$100k-200k proposals (with one \$1M proposal).

Goals for the end of the year: Have a contracting selling and fulfillment structure built. Understand government contracting process.

Q4 93-Q1 94: DowJones and DTIC will be our major accounts for building information services. DowJones' service will be based in Menlo Park, DTIC based in DC. Neither deal is signed, but we expect both to come through.

Other contract work may include:

- Gateway software from the Internet to dialup networks (such as Applelink).

- Client development such as OS/2 version.

- Porting server software.

WAIS Inc Product Plans for Fiscal 1994 (July 93-Jun 94)

Product sales are "on-the-pricelist" sales. These are often part of contracts so the sales of our products often resemble contract sales. Most of our product sales have come from people who have used the freeware for a long time.

Our pricing of our products is very low to try to get volume. We do not have a direct sales force, so our success here is limited. OEM sales where our product is bundled or pieces modified and sold are an increasing part of our sales. The sales cycle is long-- we have not gotten precise numbers but it is over a year since they start using WAIS, and 6-9 months after they start to consider buying the commercial software.

This year's strategy is to add a sales person to this line of business and continue to upgrade our server product line while adding new components to the product line.

The company structure for supporting this work is very flat-- An engineering plus marketing meeting helps form the basis of the products we will pursue, and then individual project leaders help define the product features and schedules. Sales of these products is shared by John Duhring and Brewster Kahle.

Goals for the end of the year: Have the finest commercial search engine product on the market. Gateway to many popular networks. Understand the sales cycle and process.

Calendar Q4 '93: WAIS Forwarder for Unix new product shipping early Q4. This is targeted to the commercial sector that employs a security system called "Firewalls". This product enables users on secure networks to access Internet WAIS servers.

WAIS Server new version of the WAIS protocol (Z39.50-v2) shipping by end of Q4. This will bring us to leadership position in the protocol community. No major functional enhancements will be included in this release.

Calendar Q1 '94: WAIS Server version 2.0 incorporating new features shipping in Q1. This release will allow integration of external databases with WAIS indexing. Furthermore, this release will facilitate browsing.

WAIS Inc Information Service Plans for Fiscal 1994 (July 93-Jun 94):

WAIS Inc's Information Services are Internet WAIS servers maintained at WAIS Inc. We see this as our long term future along with helping other publishers run our systems inside their companies. We are looking for royalty and publishing revenues.

We are looking to run services they are paid for in a few different ways:

- We are paid up-front to make information available for free (EPA)
- We are a service bureau for a publisher and they own the customer (Dow Jones)
- We publish the information and pay royalties to the information owner (none yet)
- We publish some information for free (directory of servers, weather, etc.)

Our rough business model has been:

	They own customer	We own customer
They serve the info	10% or flat fee	? gateways?
We serve the info	20% (royalty)	50% (publishing)

Goals for this year: WAIS is provides quality Internet based information services and is easy to work with.

Calendar Q4 '93: Introduce first WAIS Inc Internet services for free. These are meant to establish WAIS Inc in the freeware community. These services might include: Directory of Servers support, Image browsing, weather maps, netnews archives.

Calendar Q1 '94: Beta test for pay WAIS Inc information services. These services are systems such as Dow Jones, newswires, government information where we will start to bill users for access.

Announcement of WAIS Inc information services. This is another open-house and press meeting.

Calendar Q2 '94: Expand WAIS Inc information services. These will include a number of publisher deals to offer their information from the WAIS Inc offices.

WAIS Inc Stock Plan Proposal

Company Confidential
Presented to the board Sept 8, 1993

*my + 1/2 pp 20-25% at IPO
Faulstich 10-60%
preferred costs 10x common*

The goal of the stock plan proposed here is to attract and reward key contributors and to make all of us bound by the common purpose of making the company successful. More specifically, we would like to have a fair and open plan that can serve us if we keep the company private permanently as well as if we seek outside financing.

I suggest we discuss this at the board meeting, make any structural modifications then, and if we decide it is ready, submit it to our lawyer to take any action necessary. What ever we decide must be written into our company structure before we issue more shares.

Future possibilities we would like to keep open are:

- Profit sharing *15% at DT worked great*
- employee ownership (where the stock would be owned by the company)
- Equity sale to other corporations
- Equity sale to outside investors
- Employees selling their stock to the company to free cash

The current status of the company stock is that there is 2.5M shares issued to Brewster Kahle. The members of the board are John Duhring, Bill Dunn, and Brewster Kahle (chairman). (Robin should have signed the papers before this meeting.)

Option structure: Stock options could be issued as the means of dispersing stock. This has the advantage of making an incentive for the person to stay with the company. *Five* years is common in silicon valley, and I suggest we adopt that number for this phase, keeping the option open for going with a longer term number in the future. Except for special circumstances, I propose we use the employees full-time start date as the date to start the option period. This would mean that a consulting period would not be part of that time (again, unless there are circumstances that do not warrant this). Another incentive to stay is to have the first vesting point be at the 1 year point and on each following year.

Stipulations I have seen before that might make sense for us are:

Upon exercising an option, the stock can not be sold for 1 year.

Upon leaving full-time status at the company, the employee has 90 days to exercise their options.

I propose we build in mechanisms to buy back stock from stockholders at particular times at a price that calculated in a straightforward way at the time of sale. In these circumstances, the company would have the right to buy back the stock at that time or thereafter, so that if the company does not have the cash at a particular point, it still has the option to buy back the shares after that point.

The times that I propose to trigger the buyback option are:

When an employee dropping from fulltime employee status

When a board member resigns the board position

When an advisor ceases to be an advisor

When a consultant ceases to consult for the company full-time

The company would get right of first refusal on sales of company shares

At any time the board decides it wants to roll back ownership towards making the company owned by itself.

Pools of Stock

I suggest we only have one class of stock-- common --unless there is a reason to do otherwise. We could have two classes: preferred and common if that would more accurately reflect the status of the company.

*class A, B
preferred or common*

Should the original stock that was issued be expanding the number of shares to be in these new pools or should Brewster Kahle transfer some of his shares? Are there tax implications one way or another?

Authorize more shares

Board of Directors pool:

To attract the best board members we can, I suggest we offer close to 1% to each over time and performance. Since we do not have a strategy of how to leverage a board, this can be pushed off somewhat.

An allocated block of 6% could be earmarked for this pool to be distributed as options.

Company pool:

This pool will serve to attract the key people to the company and allow us to grow and change. The allocations from this pool will demonstrate the priorities of the company. For instance, the relative importance of engineering and administration, sales and support. This pool can be used as a bonus system for high achievers if we want to.

Therefore I propose that we allocate 20% of the company to this pool to show the companies commitment to those putting in the fulltime work. I propose that top engineers get strong representation in stock ownership given the technical nature of our business.

We do have a real question of how many people get stock out of this pool. It would be nice if everyone got some stock options, but there is a downside to having a large number of shareholders in terms of vulnerability. It would be

helpful to decide on some guiding rules on this issue. For instance, do administrative support people? Do consultants?

Out of this pool we will want to fill a number of other key posts, such as these types of job titles:

- Director of Finances

- Director of Sales

- Director of Government activity

- Project leader of Information Services

- Project leader of Client development

- Director of Operations

- Company advisors

amounts
stock option plan from Brill

Stock Distribution Proposal

Company Confidential
Presented to the board Sept 8, 1993

To launch the stock plan, I propose to distribute a set of stock to current employees and contributors. Spreading the ownership in the company in this way can help us build a strong team and commitment. This is a proposal that is up for discussion.

Particular allocation suggestions for current company contributors (alphabetical order) on a 4 year vesting schedule. The only offer that has been extended is to Margaret St Pierre, but made with the caution that it has not been submitted to the board yet.

<u>Name</u>	<u>Title</u>	<u>Emp Since</u>	<u>Salary</u>	<u>Stock</u>
Dia Cheney	Operations mgr	9/93	28.5k	-0-
John Duhring	Dir of business dev	1/93 (cons)	36k+10%	75k
Bill Dunn	Member of the board	8/93 (cons)	-----	25k
Gary Hromadko	Advisor to the company	8/93 (cons)	-----	?
Brewster Kahle	President	7/92 (full)	85k	2.5M
Harry Morris	Proj leader server dev	7/92 (full)	50k	100k
Kevin Oliveau	Information engineer	3/93? (full)	48k	5k
Margaret St Pierre	Proj leader protocol dev	4/93 (cons)	48k	50k

In terms of starting of vesting period, I propose that Duhring, Dunn, and Morris start their vesting periods on their starting dates due to their contributions already to the company. I suggest that Kevin Oliveau start the vesting period upon award of the options. Furthermore, if Margaret St Pierre accepts the offer, then she will start her vesting period.

Margaret St Pierre has been offered a 10k shares or \$10k/year choice. She has not replied on the offer.

For the record all direct contributors have been:

<u>Name</u>	<u>Title</u>	<u>Emp Since</u>	<u>Salary</u>	<u>Stock</u>
Ottavia Bassetti	Information Architect	9/92-12/92	\$4k/mo	-0-
Barbara Brooks	Information Architect	11/92-8/93	\$3k/mo	-0-
Richard Koman	Intro&Co-Author Book	4/93-	\$3k/mo	-0-
Robin Palmer	Treasurer	7/92-4/93	-----	-0-
John Undercoffler	Information Engineer	7/92-8/92	\$16k/mo	-0-

*cons=consultant; full= full-time

WAIS Inc Staffing Plans for FY 1994 (July 93-June 94)

Company Confidential
Presented to the board Sept 8, 1993

<u>End of</u>	<u>Total: Staff, Full time Consultants</u>	
Q1 93:	4: 2, 2	(Kahle, Morris; Bassetti, Undercoffler)
Q2 93:	3: 2, 1	(Kahle, Morris; Bassetti)
Q3 93:	4: 3, 1	(Brooks, Kahle, Morris; Duhring)
Q4 93:	6: 4, 2	(Brooks, Kahle, Morris, Oliveau; Duhring, St Pierre)
Q1 94:	6: 4, 2	(Cheney, Kahle, Morris, Oliveau; Duhring, St Pierre)
Q2 94:	9	(add Support, Engineer, Sales)
Q3 94:	12	(add 2 engineers, management/sales)
Q4 94:	12	

Questions:

1. Do we need another support in Q3 94? Possibly to do accounting/bookkeeping.
2. What is our policy towards hiring consultants? So far we have done it at close to normal salary for extended periods.
3. Should we recruit for the board? What targets?
4. Should we add more people in Q4 94?

Recommendations:

- Build a hiring process to avoid pitfalls: Hiring too much from TMC, friends, etc. So far this is in Brewster Kahle's court.
- Make offers to those the we know we want (Dan Aronson?, Alaina Smith?)
- Start now.

Job Descriptions for new hires.

We are looking for great people as they appear, but we should keep in mind who we are looking for in general. Any time someone within WAIS Inc wants to move job positions to fill a new post, this should be given a priority.

Q2 93 Job Descriptions (rough):

Support: entry level receptionist. Handle xeroxing, phones, errands

Engineer: Unix oriented, can help with system administration, customer support, light programming

Sales: Dedicated sales representative to help in followup and lead tracking.

Q3 93 Job Descriptions (rough):

Engineer/Project leader: Project leader of information services. Can architect the hardware, implement the system, debug operations procedures.

Engineer: Working on customer projects, customers support, some core programming.

Sales/management: Person to organize sales activity and initiate sales activity across our different businesses. Must be hands on and handling some of the sales traffic.

People we know that might be interested in working at WAIS Inc: (rough rough start)

Dan Aronson, Senior Engineer/project leader

Alaina Smith, Sales

Lew Tucker, Management/sales

Ottavia Bassetti, Marketing

Robert Kahle, Sales

Brian Berns, engineer

Gary Rancourt, Sales/marketing/management

Some field resumes

Tudie Vo (from IBM)

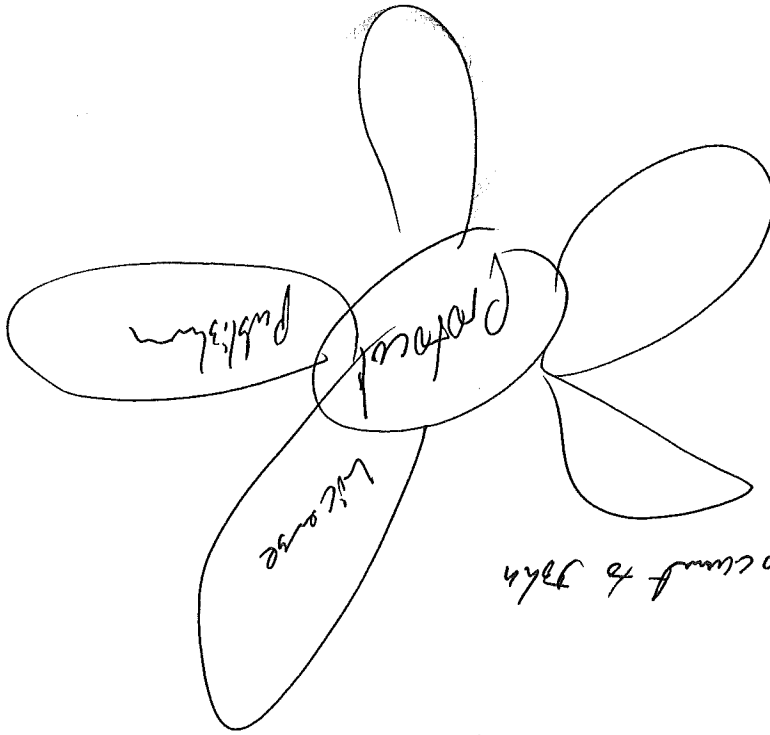
Possible board members:

We do not really have a board strategy so we are not ready to build the board, but people that might be interested:

Gary Hromadko

Jim Pelkey

Danny Hillis



Protocol is our business

Sophistication

WATTS Inc services

making

tech companies, sgt

Library

Print & Web Organs is under

Government

Publishers

WAIS Inc. 1993 Cash Flow Projections

Company Confidential

	Chance	1993 Total	1994 Total	7/1/93	7/15/93	8/1/93	8/15/93	9/1/93	9/15/93	10/1/93	10/15/93	11/1/93	11/15/93	12/1/93	12/15/93	1/1/94
Receivables																
Lib-o-Congress	100%	12,000	19,500						19,500							
Secret	100%	80,000														
Perot	100%	200,000														
Scholastic	100%	60,000									25,000			10,000		
DTIC	100%		165,000										50,000		40,000	20,000
Total Contract		342,000	184,500	0	0	0	0	0	19,500	0	25,000	0	50,000	10,000	40,000	20,000
Curtin	100%	5,000	0													
Eisenhower	100%	5,000	0													
EPA	100%		4,750				4,750									
USGS	100%		5,000							5,000						
U tenn	100%		5,000						5,000							
Mitre	100%		30,000						30,000							
EB	100%		42,000		2,000							40,000				
Intel	100%		10,000						10,000							
pacbell	100%		5,000		5,000											
EG&G	100%		55,000						15,000					40,000		
Fujitsu	100%		55,000									55,000				
ITU	100%		5,000								5,000					
LL Nat'l Labs	100%		15,000								15,000					
Bosong	100%		68,600							34,300		34,300				
Total Products		10,000	300,350	0	7,000	0	4,750	0	60,000	39,300	20,000	129,300	0	40,000	0	0
Total Services		0														
Total 100%		352,000	484,850	0	7,000	0	4,750	0	79,500	39,300	45,000	129,300	50,000	50,000	40,000	20,000
Open Source	85%		135,000									35,000	25,000	15,000		10,000
DowJones	85%		85,000										50,000			
Secret	75%		5,000									5,000				
ARPA Proposal	20%		240,000													40,000
NASA, JSC	90%		70,000							70,000						
USGS (prot)	90%		18,000									6,000	6,000	6,000		
DOE Kerberos	40%		75,000													20,000
Apple	75%		15,000													
Total Contract			359,200	0	0	0	0	0	0	63,000	0	38,900	69,150	18,150	0	24,500
Kirsh	50%		40,000								40,000					
Total Product			20,000	0	0	0	0	0	0	0	20,000	0	0	0	0	0
Dow Jones	85%															
Total Services			0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total <100%			379,200	0	0	0	0	0	0	63,000	20,000	38,900	69,150	18,150	0	24,500
Grand Total		352,000	864,050	0	7,000	0	4,750	0	79,500	102,300	65,000	168,200	119,150	68,150	40,000	44,500
Investment																
bk		50,000	51,250	3,542	13,542	3,542	3,542	23,542	3,542							
Payable																
	Total	Total														
Rent	15,310	30,000	2,000		2,000			2,000		2,000		2,000		2,000		3,000
Tax/Acctg	20,487	35,004	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	2918
Legal Fees	20,787	31,500	2,000		2,000			2,000		2,500		2,500		2,500		3,000
Salaries	237,787	429,996	13,333	13,333	13,333	13,333	13,333	13,333	13,333	14,583	16,667	19,583	19,583	19,583	21,667	21,667
Travel	40,334	67,500	1,000	1,000	1,000			5,500	2,000	5,000	2,000	5,000	2,000	5,000	2,000	6,000
Phones/Online	16,981	31,500	2,000		2,000			2,000		2,500		2,500		2,500		3,000
Insurance/Benefits		31,200										3,600		3,600		4,000
Total		351,686	666,700	21,791	15,791	21,791	14,791	26,291	16,791	28,041	20,125	36,641	23,041	36,641	25,125	43,585
Run 100%	15,000	0	-105,600	-3,249	1,501	-16,748	-23,247	-25,997	40,254	51,513	76,388	169,047	196,006	209,365	224,240	200,655
Run Total	15,000	0	879,050	-3,249	1,501	-16,748	-23,247	-25,997	40,254	114,513	159,388	290,947	387,056	418,565	433,440	434,355
Employees																
Engineers	50000			3	3	3	3	3	3	3	4	4	4	4	5	5
Professionals	70000			2	2	2	2	2	2	2	2	3	3	3	3	3
Support	30000			1	1	1	1	1	1	2	2	2	2	2	2	2
Total	150000			6	6	6	6	6	6	7	8	9	9	9	10	10

[illegible]

WAIS Inc FY 1994 Projections

Company Confidential

		1993 Total	1994 Total	7/1/93	8/1/93	9/1/93	10/1/93	11/1/93	12/1/93	1/1/94	2/1/94	3/1/94	4/1/94	5/1/94	6/1/94	1995	1996
Receivables																	
Total Contract		300,000	265,000	0	0	20,000	45,000	20,000	50,000	25,000	25,000	25,000	15,000	20,000	20,000	750,000	1,500,000
Total products		60,000	697,000	7,000	5,000	50,000		60,000	40,000	65,000	85,000	85,000	100,000	100,000	100,000	1,250,000	3,000,000
Total publishing			40,000				25,000			10,000			5,000			1,000,000	5,500,000
Total Revenue		360,000	1,002,000	7,000	5,000	70,000	70,000	80,000	90,000	100,000	110,000	110,000	120,000	120,000	120,000	3,000,000	10,000,000
Investment																	
bk		50,000	54,500	7,000	17,000	27,000	3,500										
Payable	Total	Total															
expenses		0	152,300	9,000	6,000	2,300	10,000	20,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	600,000	1,800,000
payroll			493,333	26,667	26,667	26,667	29,167	39,167	39,167	43,333	49,167	53,333	53,333	53,333	53,333	1,920,000	6,400,000
total		0	645,633	35,667	32,667	28,967	39,167	59,167	54,167	58,333	64,167	68,333	68,333	68,333	68,333	2,520,000	8,200,000
running bal	15,000	0	425,867	-6,667	-17,333	50,700	85,033	105,867	141,700	183,367	229,200	270,867	322,533	374,200	425,867	905,867	2,705,867
Employees																	
engineers	50000			3	3	3	3	4	4	5	5	6	6	6	6	18	60
professionals	70000			2	2	2	2	3	3	3	4	4	4	4	4	12	40
support	30000			1	1	1	2	2	2	2	2	2	2	2	2	6	20
Total				6	6	6	7	9	9	10	11	12	12	12	12	36	120

name positions

Strategic accounts

DT, DTIC, EB, Scholastic